

**HUMBOLDT  
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2009

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# HUMBOLDT COMMUNITY SCHOOL DISTRICT

## Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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### Board of Education (Before September 2008 Election)

Jennifer Berte	President	2008
Dawn Humburg	Vice President	2009
Tom Carson		2008
Brian Ricklefs		2008
Rick Pedersen		2009

### (After September 2008 Election)

Jennifer Berte	President	2011
Dawn Humburg	Vice President	2009
Trina Carda		2009
Brian Ricklefs		2011
Rick Pedersen		2009

## School Officials

Greg Darling	Superintendent
Rhiannon Lange	District Secretary
Anna Toohey (Resigned, January 2009)	District Treasurer
Annie Rathke (Appointed, January 2009)	District Treasurer

# BRUCE D. FRINK

## Certified Public Accountant

### Independent Auditor's Report

#### Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

#### Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance

#### Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

To the Board of Education of  
Humboldt Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of Humboldt Community School District, Humboldt, Iowa as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express an opinion on these financial statements based on our audit.

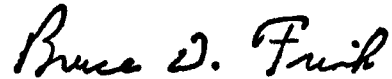
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities and each major fund of Humboldt Community School District at June 30, 2009 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 30, 2010 on our consideration of Humboldt Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 34 through 36 are not required parts of the financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Humboldt Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplemental information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Bruce D. Frink". The signature is written in a cursive, flowing style.

Bruce D. Frink  
Certified Public Accountant

March 30, 2010

# **HUMBOLDT COMMUNITY SCHOOL DISTRICT**

## **Management's Discussion and Analysis**

This section of the Humboldt Community School District's Comprehensive Annual Financial Report presents its "discussion and analysis" of the District's financial performance during the fiscal year ending June 30, 2009. Please read it in conjunction with the District's financial statements.

### **2009 FINANCIAL HIGHLIGHTS**

- The District's General Fund balance decreased by over \$257,000. This is the third year in a row that the balance has decreased. The District had revenues of \$10,154,943 and \$10,416,225 was spent during the year.
- The District experienced a decrease in both Resident and BEDS enrollment. The September 2008 BEDS enrollment was 1182.3, while the September 2007 enrollment was 1225.7. This is indicative of the actual number of students attending District schools including open enrollment in students. The District has a plus 79.6 of open enrolled in students versus open enrolled out (up 9.9 from the prior year).
- Revenues increased by 1% from the prior year. This was due primarily to an increase in local sources of revenues by the District. Expenditures increased by 1% due to increases in payroll and benefits.
- The District has actively pursued grants from various sources in order to enhance the District's course offerings.
- The District enjoys a 20% solvency ratio. This will allow for flexibility in light of long term trends toward decreasing enrollment and inadequate allowable growth.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Humboldt Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Humboldt Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Humboldt Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year as well as presenting the schedule of funding progress for the retiree health plan.

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

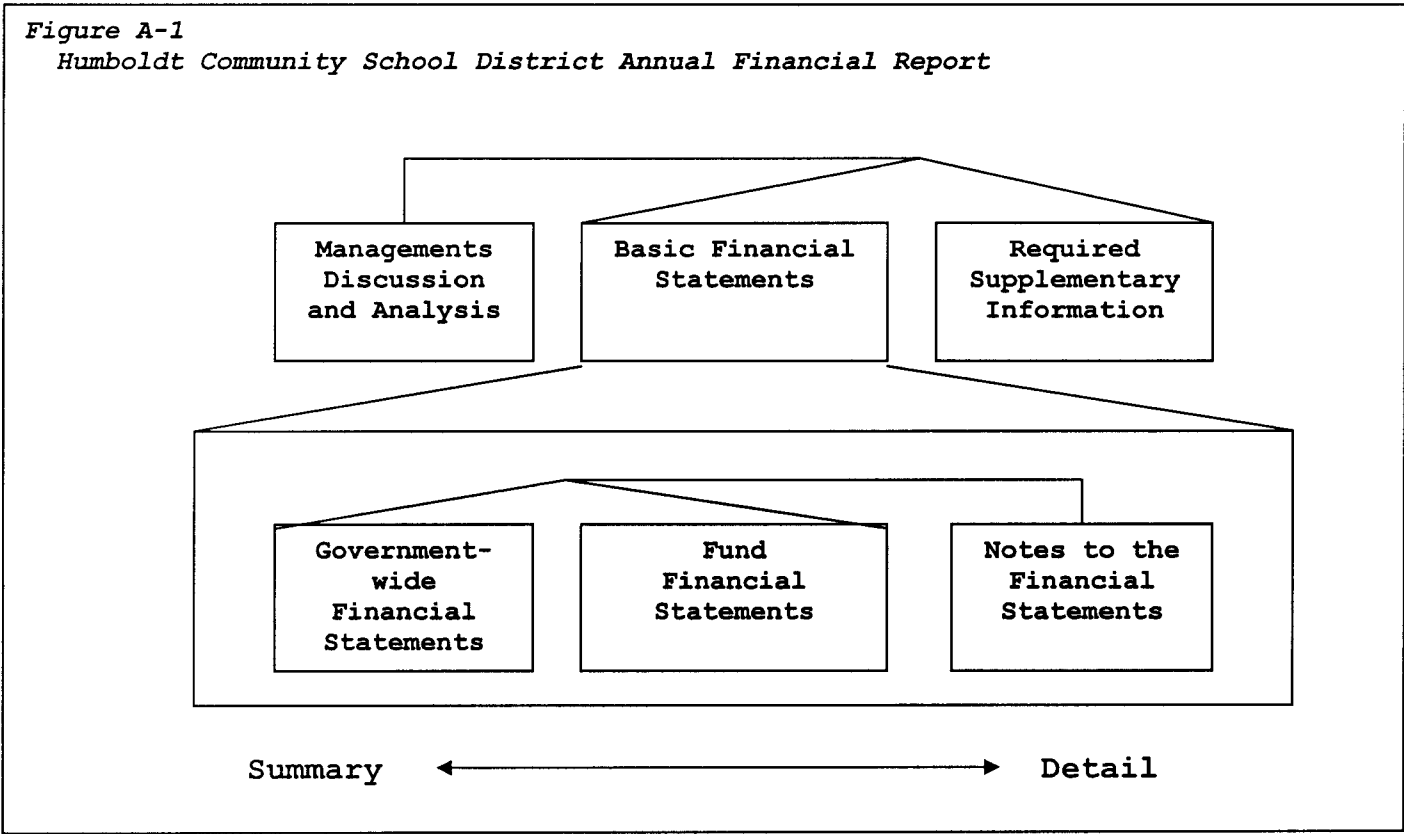


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2</b> <b>Major Features of the Government-wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Fund	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activity the District operates similar to private businesses: food services	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. The District has elected to treat all funds as "major" for clarity of presentation.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Funds and Agency Funds.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2009 compared to 2008.

**Figure A-3**  
**Condensed Statement of Net Assets**  
**(Expressed in Thousands)**

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-2009
Current assets	\$ 8,746	8,035	38	46	8,784	8,081	8.70%
Capital assets	2,882	3,066	39	24	2,921	3,090	-5.47%
Total assets	11,628	11,101	77	70	11,705	11,171	4.78%
Current liabilities	4,442	3,709	8	1	4,450	3,710	19.95%
Non-current liabilities	237	25	-	-	237	25	848.00%
Total liabilities	4,679	3,734	8	1	4,687	3,735	25.49%
Net Assets							
Invested in capital assets, net of related debt	2,882	3,041	39	24	2,921	3,065	-4.70%
Restricted	2,080	1,625	-	-	2,080	1,625	28.00%
Unrestricted	1,987	2,701	30	45	2,017	2,746	-26.55%
Total net assets	\$ 6,949	7,367	69	69	7,018	7,436	-5.62%

Total net assets decreased 5% primarily as a result of decreases in the General Fund. The General Fund decreased over \$257,000 as a result of salary increases and inadequate allowable growth. The Management Levy decreased as the District used existing reserves to pay insurance and early retirement costs.

Figure A-4 shows the changes in net assets for the year ended June 30, 2009 compared to year ended June 30, 2008.

Figure A-4							
Changes in Net Assets							
(Expressed in Thousands)							
Governmental Activities		Business type Activities		Total School District		Total Change	
2009	2008	2009	2008	2009	2008	2008-2009	
Revenues:							
Program revenues:							
Charges for service and sales	\$ 642	671	252	246	894	917	-2.51%
Operating grants, contributions and restricted interest	2,172	1,910	222	187	2,394	2,097	14.16%
General revenues:							
Property tax	3,430	3,843	-	-	3,430	3,843	-10.75%
Statewide sales and services tax	950	777	-	-	950	777	22.27%
Unrestricted state grants	4,454	4,614	-	-	4,454	4,614	-3.47%
Unrestricted investment earnings	63	62	-	-	63	62	1.61%
Other	52	224	-	-	52	224	-76.79%
Total revenues	11,763	12,101	474	433	12,237	12,534	-2.37%
Program expenses:							
Governmental activities:							
Instruction	8,059	7,419	-	-	8,059	7,419	8.63%
Support Services	2,919	3,045	-	-	2,919	3,045	-4.14%
Non-instructional programs	12	-	474	457	486	457	6.35%
Other expenses	1,191	854	-	-	1,191	854	39.46%
Total expenses	12,181	11,318	474	457	12,655	11,775	7.47%
Change in net assets	\$ (418)	783	-	(24)	(418)	759	-155.07%

Property tax and unrestricted state grants account for 64% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 87% of the total expenses.

#### Governmental Activities

Revenues for governmental activities were \$11,763,346 and expenses were \$12,181,476 for the year ended June 30, 2009. The District continues to monitor discretionary spending and looking for additional sources of revenue in order to maintain programs.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2009 compared to the year ended June 30, 2008.

<b>Figure A-5</b> <b>Total and Net Cost of Governmental Activities</b> <b>(Expressed in Thousands)</b>						
	Total Cost of Services			Net Cost of Services		
	2009	2008	Change 2008-2009	2009	2008	Change 2008-2009
Instruction	\$ 8,059	7,419	8.63%	5,730	5,310	7.91%
Support Services	2,919	3,045	-4.14%	2,892	3,009	-3.89%
Non-instructional programs	12	-	100.00%	12	-	100.00%
Other expenses	1,191	854	39.46%	733	418	75.36%
Totals	<u>\$ 12,181</u>	<u>11,318</u>	<u>7.63%</u>	<u>9,367</u>	<u>8,737</u>	<u>7.21%</u>

For the year ended June 30, 2009:

- The cost financed by users of the District's programs was \$641,945.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,273,010.
- The net cost of governmental activities was financed with \$3,430,048 in property tax and \$4,453,984 in state foundation aid.

#### **Proprietary-Type Activities**

Revenues for the District's School Nutrition Fund were \$473,645 and expenses were \$473,668. The revenues include: charges for services, contributions, and federal and state reimbursements.

#### **Fiduciary Activities**

The Trust Funds are funds given and designated by outside groups and people basically to be given as scholarships. These funds are not to be used to support the operations of the District except as specifically allowed. Interest, but not principal, from the Louthan Fund can be used to pay for classroom supplies, but not salaries.

#### **FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

The Humboldt Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District is reflected in its governmental funds. As the District completed the fiscal year, its governmental funds reported combined fund balances of \$4,303,882, which is 1% less than last year's ending fund balances of \$4,326,874.

## Governmental Fund Highlights

- The District has been trying to control its General Fund balance by holding the line on payroll and discretionary spending as well as obtaining outside grants.
- A positive open enrollment balance into the District will help maintain instructional programs with increased funding.
- The District collected over \$950,000 in statewide sales and services tax this fiscal year.
- The District enjoys a 20% solvency ratio. This is an indicator of the financial strength of the District. 10% is a widely accepted figure as being adequate.
- The PPEL and Capital Projects Fund balances increased, most of the expenditures were on items that will benefit the District for several years.

## BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget after the required public notice and hearing. The budget for the current fiscal year is usually amended each April for revenues and expenditures that could not be anticipated the prior April. The budget amending process follows similar statutory procedures.

It is the District's practice, as is in most Iowa school districts, to budget expenditures at or about the maximum authorized spending. As a result, the District's certified budget should always exceed the actual expenditures for the year in total. Expenditures exceeded the amounts budgeted in the non-instructional programs and other expenditures functions.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

By the end of fiscal year 2009, the District has invested more than \$8,000,000 in a broad range of capital assets including school buildings, athletic facilities, kitchens, computers and audio-visual equipment, administration building, transportation/storage facility, maintenance equipment, school buses, and other vehicles, library holdings and textbooks. Total depreciation expense for the year exceeded \$337,000.

**Figure A-6**  
**Capital Assets, net of Depreciation**  
**(Expressed in Thousands)**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-2009
Land	\$ 49	49	-	-	49	49	0.00%
Land improvements	302	324	-	-	302	324	-6.79%
Buildings	1,559	1,578	-	-	1,559	1,578	-1.20%
Furniture and equipment	972	1,115	39	24	1,011	1,139	-11.24%
Totals	<u>\$ 2,882</u>	<u>3,066</u>	<u>39</u>	<u>24</u>	<u>2,921</u>	<u>3,090</u>	<u>-5.47%</u>

### Long-term Debt

The District retired all of its long term debt during fiscal year 2009 with the exception of early retirement. The District is issuing over \$9 million in revenue bonds in fiscal year 2010 for the construction of a new junior high school.

## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Enrollment will be the primary factor in determining the ability of the district to maintain and expand educational offerings.
- Maintaining a sound General Fund balance from year to year is important in order that the District can be able to take advantage of opportunities, absorb funding cuts, and keep property taxes down.
- Adequate allowable growth must be provided by the Legislature in order to give adequate salary increases plus be able to keep up with changing classroom requirements.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, and creditors with a general overview of the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Dr. Greg Darling, Superintendent, Humboldt Community Schools, 1408 9<sup>th</sup> Ave N, Humboldt, Iowa 50548.

## **Basic Financial Statements**

## HUMBOLDT COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2009

		Business Type Activities	
	Governmental Activities	School Nutrition	Total
<b>Assets</b>			
Cash and pooled investments	\$ 4,294,368	28,534	4,322,902
Receivables:			
Property tax:			
Current year	29,931	-	29,931
Succeeding year	4,022,894	-	4,022,894
Due from other governments	397,536	-	397,536
Other receivables	1,446	1,118	2,564
Inventories	-	8,612	8,612
Capital assets, net of accumulated depreciation	2,882,298	38,976	2,921,274
<b>Total assets</b>	<b>11,628,473</b>	<b>77,240</b>	<b>11,705,713</b>
<b>Liabilities</b>			
Accounts payable	271,538	7,985	279,523
Deferred revenue:			
Succeeding year property tax	4,022,894	-	4,022,894
Federal programs	147,861	-	147,861
Long term liabilities:			
Portion due within one year:			
Early retirement	135,620	-	135,620
Portion due after one year:			
Net OPEB liability	48,471	-	48,471
Early retirement	52,800	-	52,800
<b>Total liabilities</b>	<b>4,679,184</b>	<b>7,985</b>	<b>4,687,169</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	2,882,298	38,976	2,921,274
Restricted for:			
Debt service	317,444	-	317,444
Capital Projects	1,094,819	-	1,094,819
Management Fund	344,417	-	344,417
Physical Plant and Equipment Levy Fund	226,267	-	226,267
Categorical funding	97,491	-	97,491
Unrestricted	1,986,553	30,279	2,016,832
<b>Total net assets</b>	<b>\$ 6,949,289</b>	<b>69,255</b>	<b>7,018,544</b>

See notes to financial statements.

HUMBOLDT COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction	\$ 8,059,097	641,945	1,687,162	(5,729,990)	-	(5,729,990)
Support services:						
Student services	178,169	-	-	(178,169)	-	(178,169)
Instructional staff services	432,604	-	-	(432,604)	-	(432,604)
Administration services	1,052,134	-	-	(1,052,134)	-	(1,052,134)
Operation and maintenance of plant services	920,998	-	26,617	(894,381)	-	(894,381)
Transportation services	335,003	-	-	(335,003)	-	(335,003)
	2,918,908	-	26,617	(2,892,291)	-	(2,892,291)
Non-instructional programs:						
Food service operations	12,200	-	-	(12,200)	-	(12,200)
Other expenditures:						
Facilities acquisition and construction	438,030	-	32,006	(406,024)	-	(406,024)
AEA flowthrough	426,384	-	426,384	-	-	-
Depreciation (unallocated)*	326,857	-	-	(326,857)	-	(326,857)
	1,191,271	-	458,390	(732,881)	-	(732,881)
Total governmental activities	12,181,476	641,945	2,172,169	(9,367,362)	-	(9,367,362)

**HUMBOLDT COMMUNITY SCHOOL DISTRICT**

Statement of Activities

Year ended June 30, 2009

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Total
Business type activities:				
Non-instructional programs:				
Nutrition services	473,668	251,511	222,134	(23)
Total	<u>\$ 12,655,144</u>	<u>893,456</u>	<u>2,394,303</u>	<u>(9,367,385)</u>
<b>General Revenues:</b>				
Property tax levied for:				
General purposes				
Capital outlay				
Statewide sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Change in net assets				
Net assets beginning of year				
Net assets end of year				

\* This amount excludes the depreciation that is included in the direct expense of the various programs.

See notes to financial statements.

## HUMBOLDT COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2009

	General	Student Activity	Management Levy	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Total
<b>Assets</b>							
Cash and pooled investments	\$ 2,201,231	107,552	534,559	224,019	909,881	317,126	4,294,368
Receivables:							
Property tax:							
Current year	27,282	-	-	2,649	-	-	29,931
Succeeding year	3,374,831	-	325,000	323,063	-	-	4,022,894
Succeeding year income surtax	483,262	-	-	-	-	-	483,262
Due from other governments	210,129	-	-	-	187,407	-	397,536
Other receivables	-	-	-	217	911	318	1,446
<b>Total assets</b>	<b>\$ 6,296,735</b>	<b>107,552</b>	<b>859,559</b>	<b>549,948</b>	<b>1,098,199</b>	<b>317,444</b>	<b>9,229,437</b>
<b>Liabilities and Fund Balances</b>							
Liabilities:							
Accounts payable	\$ 265,818	-	1,722	618	3,380	-	271,538
Deferred revenue:							
Succeeding year property tax	3,374,831	-	325,000	323,063	-	-	4,022,894
Succeeding year income surtax	483,262	-	-	-	-	-	483,262
Federal programs	147,861	-	-	-	-	-	147,861
Total liabilities	<b>4,271,772</b>	<b>-</b>	<b>326,722</b>	<b>323,681</b>	<b>3,380</b>	<b>-</b>	<b>4,925,555</b>
Fund balances:							
Reserved for debt service	-	-	-	-	-	317,444	317,444
Reserved for capital projects	-	-	-	-	1,094,819	-	1,094,819
Reserved for categorical funding	97,491	-	-	-	-	-	97,491
Unreserved fund balance	1,927,472	107,552	532,837	226,267	-	-	2,794,128
Total fund balances	<b>2,024,963</b>	<b>107,552</b>	<b>532,837</b>	<b>226,267</b>	<b>1,094,819</b>	<b>317,444</b>	<b>4,303,882</b>
<b>Total liabilities and fund balances</b>	<b>\$ 6,296,735</b>	<b>107,552</b>	<b>859,559</b>	<b>549,948</b>	<b>1,098,199</b>	<b>317,444</b>	<b>9,229,437</b>

See notes to financial statements.

## HUMBOLDT COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets

June 30, 2009

Total fund balances of governmental funds (Exhibit C)	\$ 4,303,882
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*Amounts reported for governmental activities in the Statement of Net Assets  
are different because:*

Capital assets used in governmental activities are not  
financial resources and, therefore, are not reported as  
assets in the governmental funds.

2,882,298

Long-term liabilities, early retirement payable and net OPEB liability, are not  
due and payable in the current period and, therefore, are not reported as  
liabilities in the Governmental Funds

(236,891)

**Net assets of governmental activities (Exhibit A)**

\$ 6,949,289

HUMBOLDT COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Fund Types

Year ended June 30, 2009

	General	Student Activity	Management Levy	Physical Plant and Equipment Levy	Capital Projects	Nonmajor Debt Service	Total
Revenues:							
Local sources:							
Local tax	\$ 3,119,509	-	-	310,539	950,055	-	4,380,103
Tuition	641,945	-	-	-	-	-	641,945
Other	240,116	285,494	24,460	2,152	28,822	3,184	584,228
State sources	5,739,563	-	-	5	-	-	5,739,568
Federal sources	413,810	-	-	-	-	-	413,810
Total revenues	10,154,943	285,494	24,460	312,696	978,877	3,184	11,759,654
Expenditures:							
Instruction	7,171,176	306,941	271,723	3,248	69,118	-	7,822,206
Support services:							
Student services	177,429	-	740	-	-	-	178,169
Instructional staff services	428,114	-	41,020	17,650	19,115	-	505,899
Administration services	1,042,314	-	7,119	2,475	150	76	1,052,134
Operation and maintenance of plant services	858,309	-	60,952	1,737	-	-	920,998
Transportation services	312,499	-	21,879	-	625	-	335,003
	2,818,665	-	131,710	21,862	19,890	76	2,992,203
Non-instructional programs:							
Food service operations	-	-	12,110	7	83	-	12,200

HUMBOLDT COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Fund Types

Year ended June 30, 2009

	General	Student Activity	Management Levy	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Total
Other expenditures:							
Long-term debt:							
Principal	-	-	-	-	-	25,011	25,011
Facilities acquisition and construction	-	-	-	106,398	401,936	-	508,334
AEA flowthrough	426,384	-	-	-	-	-	426,384
	426,384	-	-	106,398	401,936	25,011	959,729
Total expenditures	10,416,225	306,941	415,543	131,515	491,027	25,087	11,786,338
Excess (deficiency) of revenues over (under) expenditures	(261,282)	(21,447)	(391,083)	181,181	487,850	(21,903)	(26,684)
Other financing sources (uses):							
Sale of materials and supplies	3,692	-	-	-	-	-	3,692
Operating transfers in	-	-	-	-	-	25,011	25,011
Operating transfers out	-	-	-	(25,011)	-	-	(25,011)
Total other financial sources (uses)	3,692	-	-	(25,011)	-	25,011	3,692
Net change in fund balances	(257,590)	(21,447)	(391,083)	156,170	487,850	3,108	(22,992)
Fund balances beginning of year	2,282,553	128,999	923,920	70,097	606,969	314,336	4,326,874
Fund balances end of year	\$ 2,024,963	107,552	532,837	226,267	1,094,819	317,444	4,303,882

See notes to financial statements.

## HUMBOLDT COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and  
 Changes in Fund Balances - Governmental Funds  
 to the Statement of Activities

Year ended June 30, 2009

Net change in fund balances - total governmental funds (Exhibit E) \$ (22,992)

**Amounts reported for governmental activities in the Statement of  
 Activities are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 143,600	
Depreciation expense	<u>(326,857)</u>	(183,257)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

25,011

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Other postemployment benefits	(48,471)	
Early retirement	<u>(188,421)</u>	<u>(236,892)</u>

Change in net assets of governmental activities (Exhibit B) \$ (418,130)

## HUMBOLDT COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Fund

Year ended June 30, 2009

	<u>School Nutrition</u>
Operating revenue:	
Local sources:	
Charges for services	\$ 251,511
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	172,712
Benefits	36,538
Services	3,720
Supplies	250,581
Depreciation	10,117
Total operating expenses	<u>473,668</u>
Operating (loss)	<u>(222,157)</u>
Non-operating revenues:	
Interest on investments	158
State sources	5,409
Federal sources	216,567
Total non-operating revenues	<u>222,134</u>
Change in fund net assets	(23)
Net assets beginning of year	<u>69,278</u>
Net assets end of year	<u>\$ 69,255</u>

See notes to financial statements.

## HUMBOLDT COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2009

	<u>Enterprise</u> <u>School</u> <u>Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 250,393
Cash payments to employees for services	(209,250)
Cash payments to suppliers for goods or services	<u>(209,427)</u>
Net cash (used by) operating activities	<u>(168,284)</u>
Cash flows from non-capital financing activities:	
State grants received	5,409
Federal grants received	<u>179,280</u>
Net cash provided by non-capital financing activities	<u>184,689</u>
Cash flows from capital financing activities:	
Acquisition of capital assets	<u>(24,905)</u>
Cash flows from investing activities:	
Interest on investments	<u>158</u>
Net increase in cash and cash equivalents	(8,342)
Cash and cash equivalents beginning of year	<u>36,876</u>
Cash and cash equivalents end of year	<u>\$ 28,534</u>
<b>Reconciliation of operating (loss) to net cash used by operating activities:</b>	
Operating (loss)	\$ (222,157)
Adjustments to reconcile operating (loss) to net cash provided by (used by) operating activities:	
Depreciation	10,117
Commodities used	37,287
(Increase) in other receivables	(1,118)
Decrease in inventory	307
Increase in accounts payable	<u>7,280</u>
	<u>\$ (168,284)</u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2009, the District received federal commodities valued at \$37,287

See notes to financial statements.

## HUMBOLDT COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets  
Fiduciary Funds

Year ended June 30, 2009

	<u>Private Purpose Trusts</u>
<b>Assets</b>	
Cash and pooled investments	\$ 2,355,626
Other receivables	<u>13,384</u>
<b>Total assets</b>	<u>2,369,010</u>
<b>Liabilities</b>	
Accounts payable	<u>21,487</u>
<b>Net Assets</b>	
Reserved for general education	1,694,222
Reserved for scholarships	<u>653,301</u>
<b>Total net assets</b>	<u><u>\$ 2,347,523</u></u>

See notes to financial statements.

## HUMBOLDT COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds

Year ended June 30, 2009

	<u>Private Purpose Trusts</u>
Additions:	
Local sources:	
Interest on investments	\$ 63,749
Total additions	<u>63,749</u>
Deductions:	
Support services:	
Other	<u>21,250</u>
Total deductions	<u>21,250</u>
Change in net assets	42,499
Net assets beginning of year	<u>2,305,024</u>
Net assets end of year	<u><u>\$ 2,347,523</u></u>

See notes to financial statements.

## HUMBOLDT COMMUNITY SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2009

#### (1) Summary of Significant Accounting Policies

Humboldt Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the Cities of Humboldt and Dakota City, Iowa, and agricultural territory in Humboldt, Webster and Wright Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

##### A. Reporting Entity

For financial reporting purposes, Humboldt Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Humboldt Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Humboldt County Assessor's Conference Board.

##### B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The District has elected to treat all funds as major for clarity of presentation.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Physical Plant and Equipment Levy Fund is utilized to account for the maintenance and equipping of the District's facilities.

The Management Levy Fund is utilized for the payment of insurance, unemployment and early retirement benefits.

The Student Activity Fund is used to account for extra curricular activities conducted on behalf of the students.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

#### C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and the fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Balance

The following accounting policies are followed in preparing the financial statements:

Cash, Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year become effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2008.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	1,000

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2009.

Long-Term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, expenditures exceeded the amounts budgeted in the non-instructional programs and other expenditures functions.

#### (2) **Cash and Investments**

The District's deposits at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2009.

### (3) Capital Assets

Capital assets activity for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 49,250	-	-	49,250
Capital assets being depreciated:				
Land Improvements	1,117,668	520	-	1,118,188
Buildings	4,499,405	69,784	-	4,569,189
Furniture and Equipment	2,358,512	73,295	43,000	2,388,807
Total capital assets being depreciated	7,975,585	143,599	43,000	8,076,184
Less accumulated depreciation for:				
Land Improvements	794,024	21,976	-	816,000
Buildings	2,921,269	88,733	-	3,010,002
Furniture and Equipment	1,243,986	216,148	43,000	1,417,134
Total accumulated depreciation	4,959,279	326,857	43,000	5,243,136
Total capital assets being depreciated, net	3,016,306	(183,258)	-	2,833,048
Governmental activities, capital assets, net	\$ 3,065,556	(183,258)	-	2,882,298
<b>Business type activities</b>				
Furniture and Equipment	\$ 97,395	24,905	-	122,300
Less accumulated depreciation	73,207	10,117	-	83,324
Business type activities capital assets, net	\$ 24,188	14,788	-	38,976

Depreciation expense was charged to the following functions:

Governmental activities:	
Unallocated	\$ 326,857
Business type activities:	
Food service operations	\$ 10,117

### (4) Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2009 is as follows:

	Capital Lease
Balance beginning of year	\$25,011
Additions	-
Reductions	25,011
Balance end of year	\$ -

#### Capital Lease

The District entered into a two year capital lease for the purchase of office equipment. The lease was totally paid off with proceeds of the Physical Plant and Equipment Levy during the year ended June 30, 2009.

**(5) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.10% of their annual salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008, and 2007 were 421,604, \$385,535, and \$343,258 respectively, equal to the required contributions for each year.

**(6) Risk Management**

Humboldt Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(7) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$426,384 for year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(8) Early Retirement**

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. Maximum retirement incentive for fiscal year 2009 is \$37,140. Early retirement benefits accrued during the year ended June 30, 2009 totaled \$135,620.

**(9) Interfund Transfers**

The detail of Interfund transfers for the year ended June 30, 2009 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Physical Plant and Equipment Levy	<u>\$25,011</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**(10) Other Postemployment Benefits (OPEB)**

The District implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2009.

Plan Description - The District operates a single-employer retiree benefit plan which provides medical benefits for retirees and their spouses. There are 121 active and 35 retired members in the plan. Participants must be age 55 or older at retirement. 10 active participants have declined the current plan coverage. All are included in this valuation.

The medical coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical benefit as active employees, which result in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefits plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2009, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$48,471
Interest on net OPEB Obligation	-
Adjustment to annual required contribution	-
Annual OPEB Cost	48,471
Contributions made	-
Increase in net OPEB obligation	48,471
Net OPEB obligation beginning of year	-
Net OPEB obligation end of year	<u>\$48,471</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2009.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2009 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2009	\$48,471	0.00%	\$48,471

Funded Status and Funding Progress - As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2008 through June 30, 2009, the actuarial accrued liability was \$928,028, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$928,028. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$6,713,000 and the ratio of the UAAL to covered payroll was 13.8%. As of June 30, 2009, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information, in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2008 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions includes a 5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. A zero employee turnover rate is assumed.

No benefit continuation is assumed post the age of 65. Due to the actuarial cost method selected, benefits are not related to salary levels.

**(11) Commitment**

In November 2009, the District sold \$9,125,000 of Revenue Bonds to be used for the construction of a new middle school.

## **Required Supplementary Information**

**HUMBOLDT COMMUNITY SCHOOL DISTRICT**

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -  
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2009

	Governmental Fund Types	Proprietary Fund Type	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance
<b>Revenues</b>						
Local sources	\$ 5,606,276	251,669	5,857,945	5,721,755	5,721,755	136,190
State sources	5,739,568	5,409	5,744,977	6,000,070	6,000,070	(255,093)
Federal sources	413,810	216,567	630,377	571,000	571,000	59,377
Total revenues	<u>11,759,654</u>	<u>473,645</u>	<u>12,233,299</u>	<u>12,292,825</u>	<u>12,292,825</u>	<u>(59,526)</u>
<b>Expenditures/Expenses</b>						
Instruction	7,822,206	-	7,822,206	8,512,590	8,512,590	690,384
Support services	2,992,203	-	2,992,203	3,883,500	3,883,500	891,297
Non-instructional programs	-	473,668	473,668	432,500	432,500	(41,168)
Other expenditures	959,729	-	959,729	943,227	943,227	(16,502)
Total expenditures/expenses	<u>11,774,138</u>	<u>473,668</u>	<u>12,247,806</u>	<u>13,771,817</u>	<u>13,771,817</u>	<u>1,524,011</u>
Excess of revenues over expenditures/expenses	(14,484)	(23)	(14,507)	(1,478,992)	(1,478,992)	1,464,485
Other financing sources (uses)	<u>3,692</u>	<u>-</u>	<u>3,692</u>	<u>4,000</u>	<u>4,000</u>	<u>(308)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	(10,792)	(23)	(10,815)	(1,474,992)	(1,474,992)	1,464,177
Balance beginning of year	<u>4,326,874</u>	<u>69,278</u>	<u>4,396,152</u>	<u>3,690,916</u>	<u>3,690,916</u>	<u>705,236</u>
Balance end of year	<u>\$ 4,316,082</u>	<u>69,255</u>	<u>4,385,337</u>	<u>2,215,924</u>	<u>2,215,924</u>	<u>2,169,413</u>

See accompanying independent auditor's report.

## **HUMBOLDT COMMUNITY SCHOOL DISTRICT**

### **Note to Required Supplementary Information - Budgetary Reporting**

Year ended June 30, 2009

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2009, expenditures exceeded the amount budgeted in the non-instructional programs and other expenditures functions. The District did not exceed the General Fund unspent authorized budget.

**HUMBOLDT COMMUNITY SCHOOL DISTRICT**

Schedule of Funding Progress for the  
Retiree Health Plan  
(In Thousands)

Required Supplementary Information

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Jul 1, 2008	\$0	\$928	\$928	0.0%	\$6,713	13.8%

See Note 10 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

## Other Supplementary Information

## HUMBOLDT COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Individual Student Activity Accounts

Year ended June 30, 2009

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Cross Country	\$ 890	4,869	5,759	-
Boys Basketball	22,942	9,738	8,928	23,752
Football	8,735	11,994	18,029	2,700
Baseball	119	6,551	6,670	-
Boys Track	97	2,585	2,545	137
Boys Golf	1,071	1,067	2,138	-
Wrestling	92	11,771	11,112	751
Girls Basketball	14,427	6,025	8,762	11,690
Volleyball	2,884	16,461	19,345	-
Softball	128	11,843	11,971	-
Girls Track	99	3,447	3,546	-
Girls Golf	757	2,909	3,666	-
Soccer	123	4,850	4,973	-
Olympics	82	-	-	82
Spanish Club	641	440	639	442
Drama	6,785	10,232	12,631	4,386
Cheerleaders	481	3,554	3,210	825
MOC	1,639	-	1,639	-
Graphic Arts	573	-	-	573
Student Senate	5,877	4,660	4,980	5,557
Student Senate special	250	-	-	250
FFA	7,410	9,493	10,703	6,200
MS Cheerleading	616	-	88	528
Drill Team	9,931	17,506	18,530	8,907
Class of 2007	40	-	40	-
Class of 2008	894	2,000	2,894	-
Class of 2012	-	1,527	845	682
Class of 2009	-	460	460	-
Class of 2010	1,002	2,995	2,667	1,330
Class of 2011	2,096	527	303	2,320
Prom	1,664	-	837	827
Administration	-	129	34	95
High School	6,176	5,217	4,205	7,188
Middle School	2,775	5,359	5,760	2,374
Taft	-	8,306	7,188	1,118
Mease	3,995	4,427	3,914	4,508
Secondary Academic Boosters	5,065	2,425	2,938	4,552
Elementary Art	20	-	-	20
Elementary PE	137	-	125	12
High School Art	24	-	-	24
Elementary Special	32	-	-	32
Elementary Academic Boosters	4,093	125	125	4,093
Taft Character Counts	755	800	-	1,555
Vocal HS	1,490	4,146	3,432	2,204
Vocal MS	1,883	1,145	1,026	2,002
Vocal Elementary	1,538	757	1,091	1,204

**HUMBOLDT COMMUNITY SCHOOL DISTRICT**

Schedule of Changes in Individual Student Activity Accounts

Year ended June 30, 2009

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Band HS	668	3,735	3,456	947
Band MS	2,769	2,701	3,642	1,828
Band Elementary	988	1,412	1,335	1,065
Band Resale HS	-	6,604	6,604	-
Band Uniforms	1,131	1,891	18	3,004
Nokomis Reserve	681	5,573	-	6,254
Nokomis 2007	540	-	540	-
Nokomis 2005	2,847	-	2,847	-
Nokomis 2006	361	-	361	-
Nokomis 2008	304	2,638	2,942	-
Nokomis 2009	-	26,754	22,594	4,160
Rockets - 6th Grade	786	-	126	660
Concessions	10	-	-	10
HS Memorials	-	398	84	314
HS PE	1,413	-	1,413	-
Concessions - MS	3,707	-	3,338	369
Student Activity	(12,984)	54,404	57,396	(15,976)
Track Project	1,997	-	-	1,997
Weight Room	285	-	285	-
Checking Interest	2,899	75,448	78,347	-
Mease CD	61	-	61	-
Middle School CD	203	-	203	-
Investment Interest	5	-	5	-
	<u>128,999</u>	<u>361,898</u>	<u>383,345</u>	<u>107,552</u>
Less interaccount transfers		<u>(76,404)</u>	<u>(76,404)</u>	
Totals	<u>\$ 128,999</u>	<u>285,494</u>	<u>306,941</u>	<u>107,552</u>

See accompanying independent auditor's report.

## HUMBOLDT COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Private Purpose Trusts

Year ended June 30, 2009

	Clyde R. & Nira Mease Scholarship	Dan Rusher Memorial	Bertha Peterson Scholarship	Michael H. Baker Scholarship	Harry Reasoner Educational Trust	Joe & Edith Reasoner Educational Trust
<b>Assets</b>						
Cash and pooled investments	\$ 6,345	4,116	7,849	10,094	4,339	11,955
Other receivables	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 6,345</u>	<u>4,116</u>	<u>7,849</u>	<u>10,094</u>	<u>4,339</u>	<u>11,955</u>
<b>Liabilities and Fund Balance</b>						
Current liabilities:						
Accounts payable	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance:						
Reserved for general education	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Reserved for scholarships	<u>6,345</u>	<u>4,116</u>	<u>7,849</u>	<u>10,094</u>	<u>4,339</u>	<u>11,955</u>
	<u>6,345</u>	<u>4,116</u>	<u>7,849</u>	<u>10,094</u>	<u>4,339</u>	<u>11,955</u>
	<u>\$ 6,345</u>	<u>4,116</u>	<u>7,849</u>	<u>10,094</u>	<u>4,339</u>	<u>11,955</u>

**HUMBOLDT COMMUNITY SCHOOL DISTRICT**

Combining Balance Sheet  
Private Purpose Trusts

Year ended June 30, 2009

**Assets**

Cash and pooled investments					
Other receivables					
	\$ 83,163	10,829	11,125	21,095	454,580
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	\$ 83,163	10,829	11,125	21,095	454,580
	<u><u>83,163</u></u>	<u><u>10,829</u></u>	<u><u>11,125</u></u>	<u><u>21,095</u></u>	<u><u>454,580</u></u>

**Liabilities and Fund Balance**

Current liabilities:					
Accounts payable	\$ -	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance:					
Reserved for general education	-	-	-	-	-
Reserved for scholarships	83,163	10,829	11,125	21,095	454,580
	<u>83,163</u>	<u>10,829</u>	<u>11,125</u>	<u>21,095</u>	<u>454,580</u>
	\$ 83,163	10,829	11,125	21,095	454,580
	<u><u>83,163</u></u>	<u><u>10,829</u></u>	<u><u>11,125</u></u>	<u><u>21,095</u></u>	<u><u>454,580</u></u>

**HUMBOLDT COMMUNITY SCHOOL DISTRICT**

Combining Balance Sheet  
Private Purpose Trusts

Year ended June 30, 2009

	Howard G. & Ruth A. Louthen Trust			Bette L. Newton Scholarship		Rogness Scholarship	Totals
	Castle Theater Scholarship						
<b>Assets</b>							
Cash and pooled investments	\$ 9,873	1,702,325	8,665	9,273	2,355,626		
Other receivables	-	13,384	-	-	13,384		
	<u>\$ 9,873</u>	<u>1,715,709</u>	<u>8,665</u>	<u>9,273</u>	<u>2,369,010</u>		
<b>Liabilities and Fund Balance</b>							
Current liabilities:							
Accounts payable	\$ -	21,487	-	-	21,487		
Fund balance:							
Reserved for general education	-	1,694,222	-	-	1,694,222		
Reserved for scholarships	9,873	-	8,665	9,273	653,301		
	<u>9,873</u>	<u>1,694,222</u>	<u>8,665</u>	<u>9,273</u>	<u>2,347,523</u>		
	<u>\$ 9,873</u>	<u>1,715,709</u>	<u>8,665</u>	<u>9,273</u>	<u>2,369,010</u>		

See accompanying independent auditor's report.

## HUMBOLDT COMMUNITY SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Private Purpose Trusts

Year ended June 30, 2009

	Clyde R. & Nira Mease Scholarship	Dan Rusher Memorial	Bertha Peterson Scholarship	Michael H. Baker Scholarship	Harry Reasoner Educational Trust	Joe & Edith Reasoner Educational Trust
Revenues:						
Local sources:						
Interest on investments	\$ 389	80	263	388	148	375
Contributions	-	-	-	-	-	-
	<u>389</u>	<u>80</u>	<u>263</u>	<u>388</u>	<u>148</u>	<u>375</u>
Expenditures:						
Instruction:						
Regular instruction:	200	250	275	250	150	400
Other	<u>200</u>	<u>250</u>	<u>275</u>	<u>250</u>	<u>150</u>	<u>400</u>
Excess (deficiency) of revenues over (under) expenditures	189	(170)	(12)	138	(2)	(25)
Balance beginning of year	<u>6,156</u>	<u>4,286</u>	<u>7,861</u>	<u>9,956</u>	<u>4,341</u>	<u>11,980</u>
Balance end of year	<u>\$ 6,345</u>	<u>4,116</u>	<u>7,849</u>	<u>10,094</u>	<u>4,339</u>	<u>11,955</u>

HUMBOLDT COMMUNITY SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures and Changes in Fund Balance  
Private Purpose Trusts

Year ended June 30, 2009

	Cramlet/ Schnoor Scholarship	Esther Hansen Scholarship	Bernice Smith Memorial	Anderson Scholarship	Klasse Scholarship	Griffin Scholarship
Revenues:						
Local sources:						
Interest on investments	\$ 2,609	257	-	372	956	12,174
Contributions	-	-	-	-	-	-
	<u>2,609</u>	<u>257</u>	<u>-</u>	<u>372</u>	<u>956</u>	<u>12,174</u>
Expenditures:						
Instruction:						
Regular instruction:	2,000	275	1,000	390	900	1,000
Other	<u>2,000</u>	<u>275</u>	<u>1,000</u>	<u>390</u>	<u>900</u>	<u>1,000</u>
Excess (deficiency) of revenues over (under) expenditures	609	(18)	(1,000)	(18)	56	11,174
Balance beginning of year	82,554	10,847	1,000	11,143	21,039	443,406
Balance end of year	<u>\$ 83,163</u>	<u>10,829</u>	<u>-</u>	<u>11,125</u>	<u>21,095</u>	<u>454,580</u>

**HUMBOLDT COMMUNITY SCHOOL DISTRICT**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Private Purpose Trusts

Year ended June 30, 2009

	Howard G. & Ruth A. Louthen Trust	Bette L. Newton Scholarship	Rogness Scholarship	Totals
Revenues:				
Local sources:				
Interest on investments	\$ 343	44,693	487	63,749
Contributions	-	-	-	-
	<u>343</u>	<u>44,693</u>	<u>487</u>	<u>63,749</u>
Expenditures:				
Instruction:				
Regular instruction:				
Other	<u>350</u>	<u>12,810</u>	<u>500</u>	<u>21,250</u>
	<u>350</u>	<u>12,810</u>	<u>500</u>	<u>21,250</u>
Excess (deficiency) of revenues over (under) expenditures	(7)	31,883	(13)	42,499
Balance beginning of year	<u>9,880</u>	<u>1,662,339</u>	<u>9,558</u>	<u>2,305,024</u>
Balance end of year	<u>\$ 9,873</u>	<u>1,694,222</u>	<u>9,273</u>	<u>2,347,523</u>

See accompanying independent auditor's report.

## HUMBOLDT COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds

For the Last Six Years

	Modified Accrual Basis				
	2009	2008	2007	2006	2005
<b>Revenues:</b>					
Local sources:					
Local tax	\$ 4,380,103	4,619,566	4,832,670	4,708,402	4,500,733
Tuition	641,945	605,224	563,069	604,225	679,891
Other	584,228	785,249	737,907	528,340	512,747
State sources	5,739,568	5,674,712	5,314,953	5,119,715	5,127,797
Federal sources	413,810	415,101	637,089	305,622	322,688
Total	<u>\$ 11,759,654</u>	<u>12,099,852</u>	<u>12,085,688</u>	<u>11,266,304</u>	<u>11,143,856</u>
					<u>4,574,524</u>
					<u>703,547</u>
					<u>436,592</u>
					<u>472,698</u>
					<u>170,904</u>
					<u>6,358,265</u>
<b>Expenditures:</b>					
Instruction	\$ 7,822,206	7,714,983	7,083,230	6,559,869	6,686,620
Support services:					
Student	178,169	190,281	205,893	272,808	317,654
Instructional staff	505,899	506,433	546,597	452,163	567,479
Administration	1,052,134	1,113,036	1,062,281	993,063	1,028,026
Operation and maintenance of plant	920,998	881,125	974,165	805,227	792,801
Transportation	335,003	524,508	595,078	433,517	346,058
Non-instructional programs:					
Food service operations	-	-	6,323	-	3,389
Other expenditures:					
Facilities acquisition	508,334	803,763	332,005	139,309	32,489
Debt Service:					
Principal	25,011	618,828	265,000	255,000	245,000
Interest and service charges	-	19,875	28,413	41,241	43,434
AEA flowthrough	426,384	416,080	393,205	377,143	379,759
Total	<u>\$ 11,774,138</u>	<u>12,788,912</u>	<u>11,492,190</u>	<u>10,329,340</u>	<u>10,442,709</u>
					<u>235,000</u>
					<u>50,175</u>
					<u>378,152</u>
					<u>9,976,216</u>

See accompanying independent auditor's report.

# BRUCE D. FRINK

Certified Public Accountant

## Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

**Independent Auditor's Report on Internal Control over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards**

To the Board of Education of  
Humboldt Community School District:

## Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance

## Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Humboldt Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 30, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Humboldt Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Humboldt Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Humboldt Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Humboldt Community School District's ability to initiate, authorize, record, process or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Humboldt Community School District's financial statements that is more than inconsequential will not be prevented or detected by Humboldt Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that result in more than a remote likelihood a material misstatement of financial statements will not be prevented or detected by Humboldt Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items II-A-09 and II-B-09, are material weaknesses.

#### Compliance and Other Matters

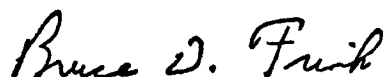
As part of obtaining reasonable assurance about whether Humboldt Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted immaterial instances of non-compliance or other matters to be disclosed in Part II of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Humboldt Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Humboldt Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Humboldt Community School District and other parties to whom Humboldt Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Humboldt Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



**BRUCE D. FRINK**  
**Certified Public Accountant**

March 30, 2010

HUMBOLDT COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2009

**Part I: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**SIGNIFICANT DEFICIENCIES:**

I-A-09      SEGREGATION OF DUTIES

Comment - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties that are incompatible. The District has done a good job of segregating duties among the present staff, however, the District Secretary continues to have the ability to override the present controls and circumvent the internal control system.

Recommendation - We realize the job description, as defined by the Code of Iowa, of the District Secretary makes the segregation of duties even more difficult and the elimination of the possibility of administrative override of the system improbable. However, we feel the board and the administration should review these policies annually and with each personnel change to insure the best possible control climate is maintained.

Response - We will continue to review procedures to obtain the best controls possible.

Conclusion - Response accepted.

I-B-09      AUDITOR DRAFTING OF THE FINANCIAL STATEMENTS AND RELATED FOOTNOTE DISCLOSURES

Comment - As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. SAS 112, an auditing standard from the American Institute of Certified Public Accountants, requires auditors to communicate this situation as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of the District's statements and footnotes, and the responsibility of the auditor to determine the fairness of the presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do this with organizations of your size. However, based on this auditing standard, it is our responsibility to inform you that this deficiency could result in a misstatement to the financial statements that could have been prevented or detected by the District's management. As in prior years, we have instructed management to review a draft of the auditor prepared financial statements in detail for their accuracy; we have answered any questions they might have, and encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in your financial statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

Recommendation - It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response - We feel our review of the draft financials is adequate for us to accept this risk.

Conclusion - Response accepted.

# HUMBOLDT COMMUNITY SCHOOL DISTRICT

## Schedule of Findings

Year ended June 30, 2009

### **Part II: Other Findings Related to Required Statutory Reporting:**

- II-A-09      Certified Budget - During the year ending June 30, 2009, expenditures in the non-instructional programs and other expenditures functions exceeded the amounts budgeted.
- Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.
- Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.
- Conclusion - Response accepted.
- II-B-09      Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-09      Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-09      Business Transactions - No business transactions between the District and District officials or employees were noted.
- II-E-09      Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-09      Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.
- II-G-09      Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-H-09      Certified Annual Report - The Certified Annual Report was certified timely with the Department of Education.
- II-I-09      Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.
- II-J-09      Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

HUMBOLDT COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2009

**Part II: Other Findings Related to Required Statutory Reporting:**  
**(continued)**

II-K-09      Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning balance		\$	-
Statewide sales and services tax revenue			950,055
Expenditures/transfers out:			
School infrastructure:			
Equipment	\$139,104		
Improvement	<u>351,922</u>		<u>491,026</u>
Ending balance			<u>\$459,029</u>